

Message Text

PAGE 01 STATE 039047
ORIGIN PM-04

INFO OCT-01 ISO-00 SS-15 IO-13 H-01 CPR-01 EUR-12 DODE-00
SSO-00 CCO-00 /047 R

DRAFTED BY PM/ISP:LHBROWN/DOD/ISA:MGLITMAN:JAN
APPROVED BY PM/ISP:LHBROWN
THE SECRETARY (PER SECTO 2062)
PM-MR. GELB
EUR - MR.HARTMAN
S/S:SESTEINER

-----202238 120232 /63

O 202221Z FEB 77
FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
USMISSION NATO IMMEDIATE
INFO ALL NATO CAPITALS IMMEDIATE

S E C R E T STATE 039047

E.O. 11652: GDS

TAGS: OVIP (VANCE,CYRUS)

SUBJECT: REVISIONS TO FY 78 U.S. DEFENSE BUDGET

1. IN ACCORDANCE WITH PRESIDENTIAL DESIRE TO INFORM UK,
FRG AND NATO SECGEN LUNS OF PROPOSED REVISIONS TO US FY-78
DEFENSE BUDGET IN ADVANCE OF THEIR PRESENTATION TO CONGRESS,
NOW SHCHEDULED FOR 22 FEBRUARY, YOU SHOULD DELIVER FOLLOW-
ING LETTERS FROM SECRETARY VANCE TO FRG FM GENSCHER,
APPROPRIATE OFFICIAL IN FCO, AND SECGEN LUNS AFTER 12 NOON
EST, 21 FEBRUARY 1977. BEGIN TEXT OF LETTERS TO FM
GENSCHER AND UK MINISTER OF STATE:

2. BEGIN TEXT: DEAR MR. MINISTER:
SECRET

PAGE 02 STATE 039047

AS YOU ARE AWARE, WE HAVE BEEN REVIEWING THE FY 78 DEFENSE
BUDGET. OUR PROPOSED CHANGES IN THE BUDGET WILL BE SENT
TO CONGRESS ON FEBRUARY 22 AND ITS LEADERSHIP IS BEING
BRIEFED TODAY. I HAVE BEEN ASKED BY THE PRESIDENT TO WRITE
YOU TO EXPLAIN THE RATIONALE FOR THE REVISIONS AND TO
ASSURE YOU OF OUR CONFIDENCE THAT THE CHANGES WILL ENHANCE
US COMBAT CAPABILITIES AND FORCE READINESS AND PROVIDE A
MORE SECURE FOUNDATION FOR FUTURE IMPROVEMENTS. THE FUNDA-

MENTAL ASSUMPTIONS UNDERLYING ALL OUR CHOICES ARE THE

CLEAR NEED TO PRESERVE THE CONTINUUM OF DETERRENCE --
STRATEGIC, TACTICAL NUCLEAR AND CONVENTIONAL -- AND THE
PRIMACY OF OUR NATO COMMITMENT.

3. THE PROPOSED BUDGET AMENDMENTS INCLUDE ADDITIONAL
EXPENDITURES TO IMPROVE THE COMBAT READINESS OF AMERICAN
FORCES AND OUR ABILITY TO REINFORCE NATO FORCES RAPIDLY
AS WELL AS DEFERRALS AND SLOWDOWNS TO PERMIT AN ORDERLY
REVIEW OF BASIC POLICY ISSUES AND MORE REALISTIC PRO-
DUCTION SCHEDULING. WE WILL RECOMMEND DELETING OUTRIGHT
A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY marginally TO
A MILITARY EFFECTIVENESS. THE RESULT OF THESE ACTIONS
WILL BE A SAVING OF ABOUT DOLS 3.8 BILLION FOR FY 78
IN OBLIGATIONAL AUTHORITY COMPARED WITH THE BUDGET SUB-
MITTED TO CONGRESS BY PRESIDENT FORD. IN ABSOLUTE TERMS
THE RESULTING 120 BILLION BUDGET REPRESENTS 3 PERCENT
REAL GROWTH IN OBLIGATIONAL AUTHORITY AND 5 PERCENT REAL
GROWTH IN EXPENDITURES OVER FY 1977.

4. THE MODIFICATIONS INCLUDE SOME DOLS 600 MILLION IN
ADDITIONAL EXPENDITURES TO IMPROVE READINESS AND RE-
INFORCEMENT CAPABILITIES AND A REORIENTATION OF OUR
CRUSIE MISSILE PROGRAM TO GIVE PRIORITY TO DEVELOPMENT
OF THE GROUND LAUNCH CRUISE MISSILE.

SECRET

PAGE 03 STATE 039047

5. THE REDUCTION AND DEFERRALS THAT ARE PROPOSED IN
STRATEGIC AND GENERAL PURPOSE FORCES ARE INTENDED TO
INSURE THAT WE WILL RECEIVE THE FULL MEASURE OF INCREASED
EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT, MATCH
PRODUCTION TO PRUDENT R&D SCHEDULES, AND SATISFY MANAGE-
MENT REQUIREMENTS SUCH AS CORRECTING CURRENT DEFICIENCIES
IN THE SHIPBUILDING PROGRAM. ALL THESE CHANGES ARE
CONSISTENT WITH OUR COMMITMENT TO INSURING THAT THE U.S.
MILITARY POSTURE IS FULLY ADEQUATE TO MEET NATIONAL
SECURITY NEEDS, BUT IS AT THE SAME TIME LEAN AND EFFICIENT.
AS PART OF OUR CONTINUING EFFORT TO THIS END, THIS
ADMINISTRATION HAS BEGUN A FULL SCALE REVIEW OF OUR
MILITARY POSTURE. THIS REVIEW WILL BE COMPLETED IN
TIME FOR FINAL DECISIONS ON NEXT YEAR'S DEFENSE BUDGET
AND WILL BE A MAJOR FACTOR IN OUR FUTURE PLANNING.

6. THE DETAILS OF THE CHANGES ARE BEING COMMUNICATED
TODAY BY SECRETARY OF DEFENSE BROWN TO DEFENSE MINISTERS
LEBER AND MULLEY, AND I WILL NOT REPEAT THOSE POINTS HERE.
I DO WANT TO EMPHASIZE THAT THE REDUCTION FROM 6 TO 3
IN PROCUREMENT OF U.S. AWACS AIRCRAFT, BEYOND THE 19
ALREADY PROGRAMMED, IS BASED ON UNCERTAINTIES AS TO THE
NUMBER REQUIRED FOR FUTURE U.S. CONUS AIR DEFENSE FORCES.
THE REDUCTION WILL HAVE NO IMPACT ON THE NATO AWACS
PROGRAM WHICH WE CONTINUE TO SUPPORT FULLY, AND FOR

WHICH THE PRODUCTION LINE WILL REMAIN OPEN.

7. BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE THE WARFIGHTING CAPABILITIES AND READINESS OF U.S. FORCES, AND THEREBY ENHANCE THE EFFECTIVENESS OF THE ALLIANCE'S DETERRENT.

8. DESPITE THE ECONOMIC DIFFICULTIES THAT AFFECT EVERY NATO COUNTRY, TOGETHER WE CLEARLY HAVE THE MANPOWER, RESOURCES AND TECHNOLOGICAL CAPABILITY TO STAY THE COURSE WITH OUR POTENTIAL ADVERSARIES FOR AS LONG AS MAY BE
SECRET

PAGE 04 STATE 039047

NECESSARY. AS VICE PRESIDENT MONDALE SAID IN BRUSSELS, THE UNITED STATES LOOK TO ITS ALLIES TO JOIN WITH US IN IMPROVING NATO'S DEFENSE FORCES TO THE LIMIT OF INDIVIDUAL ABILITIES IN ORDER TO PROVIDE A DEFENSE FULLY ADEQUATE TO OUR NEEDS. END TEXT.

9. TEXT OF MESSAGE TO LUNS FOLLOWS (TEXT IS SUBSTANTIVELY IDENTICAL TO SECDEF LETTERS TO MULLEY AND LEBER).

10. BEGIN TEXT. DEAR MR. SECRETARY GENERAL:

ON FEBRUARY 22, PRESIDENT CARTER WILL FORWARD TO THE CONGRESS HIS PROPOSED AMENDMENTS TO THE FY 1978 FEDERAL BUDGET. THEY ARE BEING PRESENTED TO THE CONGRESSIONAL LEADERSHIP TODAY. THE PRESIDENT HAS DIRECTED THAT I AND SECRETARY OF DEFENSE BROWN HIGHLIGHT FOR YOU THE MAJOR MODIFICATIONS IN THE DEFENSE BUDGET HE WILL PROPOSE, AND SHARE WITH YOU THE UNDERLYING RATIONALE AND SENSE OF PRIORITIES THEY REFLECT.

11. THE RECOMMENDED BUDGET AMENDMENTS INCLUDE ADDITIONAL EXPENDITURES TO IMPROVE THE COMBAT READINESS AND REINFORCEMENT CAPABILITY OF AMERICAN FORCES AS WELL AS DEFERRALS AND SLOW-DOWNS TO PERMIT TIME FOR ORDERLY REVIEW OF BASIC POLICY ISSUES OR TO PROVIDE MORE REALISTIC PROGRAM SCHEDULING. WE WILL PROPOSE DELETING OUTRIGHT A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY MARGINALLY TO REAL MILITARY EFFECTIVENESS. THE RESULT OF THE ACTIONS WE WILL RECOMMEND WILL BE A SAVINGS OF ABOUT DOLS 2.8 BILLION FOR FY 78 IN OBLIGATIONAL AUTHORITY COMPARED WITH THE BUDGET SUBMITTED TO CONGRESS IN JANUARY BY PRESIDENT FORD. IN ABSOLUTE TERMS, THE RESULTING 120 BILLION DOLLAR BUDGET REPRESENTS 5PERCENT REAL GROWTH IN EXPENDITURES OVER FY 1977.

12. THE AMENDMENTS WHICH WE WILL FORWARD TO THE CONGRESS
SECRET

PAGE 05 STATE 039047

REFLECT, FOREMOST, OUR STRONG COMMITMENT TO IMPROVING THE COMBAT READINESS AND EFFECTIVENESS OF OUR GENERAL PURPOSE FORCES (GPF) AND ENHANCING OUR ABILITY RAPIDLY TO REINFORCE NATO FORCES. IN THAT CONNECTION, PRESIDENT CARTER WILL PROPOSE ADDITIONAL EXPENDITURES TOTALLING APPROXIMATELY DOLS 600 MILLION TO IMPROVE EQUIPMENT READINESS, INCREASE PRE-POSITIONED STOCKS IN EUROPE, AND ACCELERATE THE AIRCRAFT SHELTER CONSTRUCTION PROGRAM IN EUROPE, THE CIVIL RESERVE AIR FLEET MODERNIZATION, AND OTHER URGENT CONSTRUCTION PROGRAMS. THE NET EFFECT OF THESE PROPOSED BUDGET AMENDMENTS WOULD BE TO STRENGTHEN AMERICAN MILITARY CAPABILITIES TO RESPOND RAPIDLY AND EFFECTIVELY IN THE EVENT NATO WERE THREATENED.

13. PRESIDENT CARTER WILL RECOMMEND DEFERRALS AND PROCUREMENT REDUCTIONS IN SEVERAL OTHER MAJOR PROGRAM AREAS. WITH RESPECT TO STRATEGIC FORCES, THE MODIFICATIONS ARE PRIMARILY DESIGNED TO ADJUST THE PACE OF DEVELOPMENT AND ACQUISITION OF OUR FOLLOW-ON, STRATEGIC PROGRAMS TO AN EFFICIENT LEVEL WHILE WE EXAMINE TEST RESULTS AND THE POSSIBILITY OF FUTURE ARMS LIMITATION AGREEMENTS. THESE MODIFICATIONS ARE FULLY CONSISTENT WITH OUR COMMITMENT TO MAINTAINING AN UNQUESTIONABLY CREDIBLE BROAD-SPECTRUM NUCLEAR DETERRENT.

14. WE PLAN TO DEFER FULL-SCALE ENGINEERING DEVELOPMENT OF THE M-X UNTIL FY 79 WHILE CONTINUING ADVANCED DEVELOPMENT WORK ON ALTERNATIVE COMPONENTS, DEPLOYMENT OPTIONS, AND COST TRADE-OFFS. WE PROPOSE TO SLOW B-1 PROCUREMENT FROM EIGHT TO FIVE IN FY 78 PENDING FURTHER EVALUATION OF SYSTEM REQUIREMENTS.

15. WE WILL RECOMMEND A NUMBER OF REDUCTIONS FOR TACTICAL PROGRAMS, FOR REASONS RANGING OVER CHANGES IN QUANTITATIVE REQUIREMENTS, ALTERNATIVE WAYS OF SATISFYING THE OPERATIONAL REQUIREMENT. REDUCTION OF TECHNOLOGICAL
SECRET

PAGE 06 STATE 039047

RISK BY SLOWING PRODUCTION WHILE INCREASING R&D, AND ADJUSTING FINANCING TO ORDERLY PRODUCTION CONSIDERATIONS.

16. WE PROPOSE VARIOUS ADJUSTMENTS IN HELICOPTER, OTHER AIRCRAFT, COMMUNICATION AND ELECTRONICS, AND VARIOUS ARMY, NAVY, AND AIR FORCE EQUIPMENT PROGRAMS ON THESE GROUNDS. WITHIN THE TACTICAL AIR FORCE, PRESIDENT CARTER WILL BE RECOMMENDING A STRETCH-OUT IN F-15 PROCUREMENT BY SLOWING PRODUCTION FROM 108 A YEAR TO 78. THIS WILL PROVIDE A GOING PRODUCTION BASE FOR A LONGER TIME, ALLOWING US TO CONSIDER WHAT TOTAL F-15 BUY IS APPROPRIATE FOR TACTICAL USE AND WHETHER F-15'S ARE NEEDED FOR CONUS AIR DEFENSE. THIS WILL NOT AFFECT THE SCHEDULE

FOR DEPLOYMENT OF F-15'S TO EUROPE, SINCE THOSE AIRCRAFT HAVE ALREADY BEEN PROCURED.

17. WE WILL PROPOSE REDUCING ADDITIONAL AWACS PROCUREMENT FROM 6 TO 3 IN FY 78 TO PROVIDE MORE REALISTIC PROGRAMMING, GIVEN THE CURRENT UNCERTAINTIES AS TO THE NUMBER NEEDED FOR THE FUTURE U.S. CONUS AIR DEFENSE FORCE. AS YOU KNOW, 19 AWACS AIRCRAFT HAVE ALREADY BEEN PROGRAMMED FOR FY 77 AND PRIOR YEARS. THIS CONUS AIR DEFENSE ISSUE WILL BE RESOLVED OVER THE COURSE OF THE NEXT YEAR. THE SLOW-DOWN IN ADDITIONAL PROCUREMENT FOR THE USAF WILL HAVE NO IMPACT ON THE NATO AWACS PROGRAM SINCE THE PRODUCTION LINE REMAINS OPEN TO ACCOMMODATE THE NATO REQUIREMENT WHICH WE CONTINUE TO SUPPORT FULLY.

18. INsofar AS NAVAL FORCES ARE CONCERNED, THE PRESIDENT WILL PROPOSE TO THE CONGRESS SEVERAL REDUCTIONS TO THE FY 78 BUDGET FOR SHIP CONSTRUCTION. THESE INCLUDE DEFERRAL OF ONE NUCLEAR-POWERED SUBMARINE AND TWO FRIGATES SO AS TO OVERCOME CURRENT BACKLOGS IN THE CONSTRUCTION PROGRAM, AND CANCELLATION ON COST-EFFECTIVENESS GROUNDS OF THE NUCLEAR STRIKE CRUISER. THE DEFERRALS AND CANCELLATION WILL ENABLE US TO CONTINUE
SECRET

PAGE 07 STATE 039047

ESSENTIAL MODERNIZATION OF OUR FORCES, WHILE SCHEDULING PROGRAMS TO ENSURE THAT WE RECEIVE THE FULL MEASURE OF INCREASED EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT AND TO CORRECT CURRENT DEFICIENCIES IN THE SHIPBUILDING PROGRAM. THE PRESIDENT'S BUDGET AMENDMENTS ALSO INCLUDE A RESTRUCTURING OF THE PATROL HYDROFOIL MISSILE (PHM) PROGRAM, CANCELLING THE CONVERSION OF A SUPPORT SHIP IN THE ABSENCE OF A DEFINITIVE DEPLOYMENT CONCEPT. THE PHM PROGRAM ITSELF WILL BE REVIEWED FURTHER TO FOCUS ON FURTHER DEVELOPMENT OF THE HYDROFOIL CONCEPT AND TACTICS.

19. SEVERAL DECISIONS AFFECTING TACTICAL NUCLEAR SYSTEMS ALSO WILL BE OF SPECIAL INTEREST TO YOU. WE HAVE DECIDED TO EMPHASIZE FURTHER RESEARCH AND DEVELOPMENT OF A GROUND-LAUNCHED CRUISE MISSILE (GLCM) WHILE DEFERRING FOR ONE YEAR INITIATION OF FULL SCALE DEVELOPMENT OF THE ANTI-SHIP VERSION OF THE TOMOHAWK CRUISE MISSILE WHICH WOULD BE CONVENTIONALLY ARMED. OUR TARGET DATE FOR BEGINNING FULL-SCALE DEVELOPMENT OF THE GLCM IS FY 79.

20. SECOND, WE HAVE DECIDED TO CANCEL THE US PROCUREMENT OF THE NON-NUCLEAR LANCE BECAUSE OF THE AVAILABILITY OF EXISTING AND PLANNED US AIR FORCE SYSTEMS TO BETTER PERFORM THESE MISSIONS. THE BULK OF THE SAVINGS WILL BE APPLIED TO SPARES FOR THE NUCLEAR MISSILES. OUR

CANCELLATION NEED NOT AFFECT NATO PROCUREMENT OF THE
NON-NUCLEAR LANCE SINCE THAT PROGRAM IS FUNDED SEPARATELY.

21. WE WILL, OF COURSE, BE CONTINUING TO TAKE A CARE-
FUL LOOK AT OUR DEFENSE ESTABLISHMENT FROM BOTH POLICY
AND EFFICIENCY PERSPECTIVES. AS A PART OF THAT EFFORT,
PRESIDENT CARTER HAS INITIATED A MAJOR REVIEW OF U.S.
MILITARY POSTURE AND THE U.S. FOREIGN POLICY AND
NATIONAL SECURITY OBJECTIVES WHICH IT SUPPORTS. THIS
REVIEW SHOULD BE COMPLETED THIS SUMMER PRIOR TO THE
SECRET

PAGE 08 STATE 039047

FINAL PREPARATION OF THE FY 79 BUDGET AND WILL BE A
MAJOR FACTOR IN ITS DEVELOPMENT. WE SHALL CONSULT WIT
YOU ON THE CONCLUSIONS OF THIS REVIEW AND ANY MAJOR
NEW DEFENSE POSTURE INITIATIVES WHICH EMERGE FROM IT.
WE SHALL BE IN TOUCH WITH YOU AND YOUR STAFFS AS WE
PROCEED IN THIS PROCESS.

22. BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE
THE WARFIGHTING CAPABILITIES AND READINESS OF US
FORCES, AND THEREBY ENHANCE THE EFFECTIVENESS OF THE
ALLIANCE'S DETERRENT. DESPITE THE ECONOMIC DIFFICULTIES
THAT AFFECT EVERY NATO COUNTRY, WE IN THE ALLIANCE
CLEARLY HAVE THE MANPOWER, RESOURCES, AND TECHNOLOGICAL
CAPABILITY TO STAY THE COURSE WITH OUR POTENTIAL
ADVERSARIES FOR AS LONG AS MAY BE NECESSARY. AS VICE
PRESIDENT MONDALE SAID IN BRUSSELS, THE UNITED STATES
LOOKS TO ITS ALLIES TO JOIN WITH US IN IMPROVING
NATO'S DEFENSE FORCES TO THE LIMIT OF INDIVIDUAL
ABILITIES IN ORDER TO PROVIDE A DEFENSE FULLY ADEQUATE
TO OUR NEEDS.

23. SECRETARY OF DEFENSE BROWN HAS SENT A SIMILAR
LETTER ON THESE BUDGET CHANGES TO (UK/FRG) DEFENSE
MINISTER (MULLEY /LEBER) AND I HAVE NOTIFIED THE UK
AND FRG FOREIGN MINISTERS. END TEXT.
HARTMAN

SECRET

PAGE 01 STATE 039047
ORIGIN PM-02

INFO OCT-01 EA-02 ISO-00 /005 R

66011

DRAFTED BY PM/ISP:LHBROWN/JAN
APPROVED BY PM/ISP:LHBROWN/JAN
EA/J:MR. LAMBERTSON

-----222305 004067 /63

P 221632Z FEB 77

FM SECSTATE WASHDC
INFO AMEMBASSY TOKYO PRIORITY 0000

S E C R E T STATE 039047

FOL RPT STATE 039047 ACTION BONN LONDON NATO INFO ALL NATO
CAPITALS 20 FEB 77 QUOTE

S E C R E T STATE 039047

E.O. 11652: GDS

TAGS: OVIP (VANCE,CYRUS)

SUBJECT: REVISIONS TO FY 78 U.S. DEFENSE BUDGET

1. IN ACCORDANCE WITH PRESIDENTIAL DESIRE TO INFORM UK,
FRG AND NATO SECGEN LUNS OF PROPOSED REVISIONS TO US FY-78
DEFENSE BUDGET IN ADVANCE OF THEIR PRESENTATION TO CONGRESS,
NOW SHCHEDULED FOR 22 FEBRUARY, YOU SHOULD DELIVER FOLLOW-
ING LETTERS FROM SECRETARY VANCE TO FRG FM GENSCHER,
APPROPRIATE OFFICIAL IN FCO, AND SECGEN LUNS AFTER 12 NOON
EST, 21 FEBRUARY 1977. BEGIN TEXT OF LETTERS TO FM
GENSCHER AND UK MINISTER OF STATE:

2. BEGIN TEXT: DEAR MR. MINISTER:

SECRET

PAGE 02 STATE 039047

AS YOU ARE AWARE, WE HAVE BEEN REVIEWING THE FY 78 DEFENSE
BUDGET. OUR PROPOSED CHANGES IN THE BUDGET WILL BE SENT
TO CONGRESS ON FEBRUARY 22 AND ITS LEADERSHIP IS BEING
BRIEFED TODAY. I HAVE BEEN ASKED BY THE PRESIDENT TO WRITE
YOU TO EXPLAIN THE RATIONALE FOR THE REVISIONS AND TO
ASSURE YOU OF OUR CONFIDENCE THAT THE CHANGES WILL ENHANCE
US COMBAT CAPABILITIES AND FORCE READINESS AND PROVIDE A
MORE SECURE FOUNDATION FOR FUTURE IMPROVEMENTS. THE FUNDA-

MENTAL ASSUMPTIONS UNDERLYING ALL OUR CHOICES ARE THE
CLEAR NEED TO PRESERVE THE CONTINUUM OF DETERRENCE --
STRATEGIC, TACTICAL NUCLEAR AND CONVENTIONAL -- AND THE
PRIMACY OF OUR NATO COMMITMENT.

3. THE PROPOSED BUDGET AMENDMENTS INCLUDE ADDITIONAL
EXPENDITURES TO IMPROVE THE COMBAT READINESS OF AMERICAN
FORCES AND OUR ABILITY TO REINFORCE NATO FORCES RAPIDLY
AS WELL AS DEFERRALS AND SLOWDOWNS TO PERMIT AN ORDERLY
REVIEW OF BASIC POLICY ISSUES AND MORE REALISTIC PRO-
DUCTION SCHEDULING. WE WILL RECOMMEND DELETING OUTRIGHT
A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY marginally TO
A MILITARY EFFECTIVENESS. THE RESULT OF THESE ACTIONS
WILL BE A SAVING OF ABOUT DOLS 3.8 BILLION FOR FY 78

IN OBLIGATIONAL AUTHORITY COMPARED WITH THE BUDGET SUBMITTED TO CONGRESS BY PRESIDENT FORD. IN ABSOLUTE TERMS THE RESULTING 120 BILLION BUDGET REPRESENTS 3 PERCENT REAL GROWTH IN OBLIGATIONAL AUTHORITY AND 5 PERCENT REAL GROWTH IN EXPENDITURES OVER FY 1977.

4. THE MODIFICATIONS INCLUDE SOME DOLS 600 MILLION IN ADDITIONAL EXPENDITURES TO IMPROVE READINESS AND REINFORCEMENT CAPABILITIES AND A REORIENTATION OF OUR CRUSIE MISSILE PROGRAM TO GIVE PRIORITY TO DEVELOPMENT OF THE GROUND LAUNCH CRUISE MISSILE.

5. THE REDUCTION AND DEFERRALS THAT ARE PROPOSED IN
SECRET

PAGE 03 STATE 039047

STRATEGIC AND GENERAL PURPOSE FORCES ARE INTENDED TO INSURE THAT WE WILL RECEIVE THE FULL MEASURE OF INCREASED EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT, MATCH PRODUCTION TO PRUDENT R&D SCHEDULES, AND SATISFY MANAGEMENT REQUIREMENTS SUCH AS CORRECTING CURRENT DEFICIENCIES IN THE SHIPBUILDING PROGRAM. ALL THESE CHANGES ARE CONSISTENT WITH OUR COMMITMENT TO INSURING THAT THE U.S. MILITARY POSTURE IS FULLY ADEQUATE TO MEET NATIONAL SECURITY NEEDS, BUT IS AT THE SAME TIME LEAN AND EFFICIENT. AS PART OF OUR CONTINUING EFFORT TO THIS END, THIS ADMINISTRATION HAS BEGUN A FULL SCALE REVIEW OF OUR MILITARY POSTURE. THIS REVIEW WILL BE COMPLETED IN TIME FOR FINAL DECISIONS ON NEXT YEAR'S DEFENSE BUDGET AND WILL BE A MAJOR FACTOR IN OUR FUTURE PLANNING.

6. THE DETAILS OF THE CHANGES ARE BEING COMMUNICATED TODAY BY SECRETARY OF DEFENSE BROWN TO DEFENSE MINISTERS LEBER AND MULLEY, AND I WILL NOT REPEAT THOSE POINTS HERE. I DO WANT TO EMPHASIZE THAT THE REDUCTION FROM 6 TO 3 IN PROCUREMENT OF U.S. AWACS AIRCRAFT, BEYOND THE 19 ALREADY PROGRAMMED, IS BASED ON UNCERTAINTIES AS TO THE NUMBER REQUIRED FOR FUTURE U.S. CONUS AIR DEFENSE FORCES. THE REDUCTION WILL HAVE NO IMPACT ON THE NATO AWACS PROGRAM WHICH WE CONTINUE TO SUPPORT FULLY, AND FOR WHICH THE PRODUCTION LINE WILL REMAIN OPEN.

7. BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE THE WARFIGHTING CAPABILITIES AND READINESS OF U.S. FORCES, AND THEREBY ENHANCE THE EFFECTIVENESS OF THE ALLIANCE'S DETERRENT.

8. DESPITE THE ECONOMIC DIFFICULTIES THAT AFFECT EVERY NATO COUNTRY, TOGETHER WE CLEARLY HAVE THE MANPOWER, RESOURCES AND TECHNOLOGICAL CAPABILITY TO STAY THE COURSE WITH OUR POTENTIAL ADVERSARIES FOR AS LONG AS MAY BE NECESSARY. AS VICE PRESIDENT MONDALE SAID IN BRUSSELS,
SECRET

PAGE 04 STATE 039047

THE UNITED STATES LOOK TO ITS ALLIES TO JOIN WITH US
IN IMPROVING NATO'S DEFENSE FORCES TO THE LIMIT OF
INDIVIDUAL ABILITIES IN ORDER TO PROVIDE A DEFENSE
FULLY ADEQUATE TO OUR NEEDS. END TEXT.

9. TEXT OF MESSAGE TO LUNS FOLLOWS (TEXT IS SUBSTANTIVE-
LY IDENTICAL TO SECDEF LETTERS TO MULLEY AND LEBER).

10. BEGIN TEXT. DEAR MR. SECRETARY GENERAL:

ON FEBRUARY 22, PRESIDENT CARTER WILL FORWARD TO THE
CONGRESS HIS PROPOSED AMENDMENTS TO THE FY 1978 FEDERAL
BUDGET. THEY ARE BEING PRESENTED TO THE CONGRESSIONAL
LEADERSHIP TODAY. THE PRESIDENT HAS DIRECTED THAT I
AND SECRETARY OF DEFENSE BROWN HIGHLIGHT FOR YOU THE
MAJOR MODIFICATIONS IN THE DEFENSE BUDGET HE WILL PRO-
POSE, AND SHARE WITH YOU THE UNDERLYING RATIONALE AND

SNSE OF PRIORITIES THEY REFLECT.

11. THE RECOMMENDED BUDGET AMENDMENTS INCLUDE ADDITIONAL
EXPENDITURES TO IMPROVE THE COMBAT READINESS AND RE-
INFORCEMENT CAPABILITY OF AMERICAN FORCES AS WELL AS
DEFERRALS AND SLOW-DOWNS TO PERMIT TIME FOR ORDERLY
REVIEW OF BASIC POLICY ISSUES OR TO PROVIDE MORE
REALISTIC PROGRAM SCHEDULING. WE WILL PROPOSE DELETING
OUTRIGHT A FEW PROGRAMS THAT WOULD CONTRIBUTE ONLY
MARGINALLY TO REAL MILITARY EFFECTIVENESS. THE RESULT
OF THE ACTIONS WE WILL RECOMMEND WILL BE A SAVINGS OF
ABOUT DOLS 2.8 BILLION FOR FY 78 IN OBLIGATIONAL
AUTHORITY COMPARED WITH THE BUDGET SUBMITTED TO CONGRESS
IN JANUARY BY PRESIDENT FORD. IN ABSOLUTE TERMS, THE
RESULTING 120 BILLION DOLLAR BUDGET REPRESENTS 5PERCENT
REAL GROWTH IN EXPENDITURES OVER FY 1977.

12. THE AMENDMENTS WHICH WE WILL FORWARD TO THE CONGRESS
SECRET

PAGE 05 STATE 039047

REFLECT, FOREMOST, OUR STRONG COMMITMENT TO IMPROVING
THE COMBAT READINESS AND EFFECTIVENESS OF OUR GENERAL
PURPOSE FORCES (GPF) AND ENHANCING OUR ABILITY RAPIDLY
TO REINFORCE NATO FORCES. IN THAT CONNECTION, PRESIDENT
CARTER WILL PROPOSE ADDITIONAL EXPENDITURES TALLING
APPROXIMATELY DOLS 600 MILLION TO IMPROVE EQUIPMENT
READINESS, INCREASE PRE-POSITIONED STOCKS IN EUROPE,
AND ACCELERATE THE AIRCRAFT SHELTER CONSTRUCTION PRO-
GRAM IN EUROPE, THE CIVIL RESERVE AIR FLEET MODERNIZATION,
AND OTHER URGENT CONSTRUCTION PROGRAMS. THE NET EFFECT
OF THESE PROPOSED BUDGET AMENDMENTS WOULD BE TO STRENGTHEN

AMERICAN MILITARY CAPABILITIES TO RESPOND RAPIDLY AND EFFECTIVELY IN THE EVENT NATO WERE THREATENED.

13. PRESIDENT CARTER WILL RECOMMEND DEFERRALS AND PROCUREMENT REDUCTIONS IN SEVERAL OTHER MAJOR PROGRAM AREAS. WITH RESPECT TO STRATEGIC FORCES, THE MODIFICATIONS ARE PRIMARILY DESIGNED TO ADJUST THE PACE OF DEVELOPMENT AND ACQUISITION OF OUR FOLLOW-ON, STRATEGIC PROGRAMS TO AN EFFICIENT LEVEL WHILE WE EXAMINE TEST RESULTS AND THE POSSIBILITY OF FUTURE ARMS LIMITATION AGREEMENTS. THESE MODIFICATIONS ARE FULLY CONSISTENT WITH OUR COMMITMENT TO MAINTAINING AN UNQUESTIONABLY CREDIBLE BROAD-SPECTRUM NUCLEAR DETERRENT.

14. WE PLAN TO DEFER FULL-SCALE ENGINEERING DEVELOPMENT OF THE M-X UNTIL FY 79 WHILE CONTINUING ADVANCED DEVELOPMENT WORK ON ALTERNATIVE COMPONENTS, DEPLOYMENT OPTIONS, AND COST TRADE-OFFS. WE PROPOSE TO SLOW B-1 PROCUREMENT FROM EIGHT TO FIVE IN FY 78 PENDING FURTHER EVALUATION OF SYSTEM REQUIREMENTS.

15. WE WILL RECOMMEND A NUMBER OF REDUCTIONS FOR TACTICAL PROGRAMS, FOR REASONS RANGING OVER CHANGES IN QUANTITATIVE REQUIREMENTS, ALTERNATIVE WAYS OF SATISFYING THE OPERATIONAL REQUIREMENT. REDUCTION OF TECHNOLOGICAL
SECRET

PAGE 06 STATE 039047

RISK BY SLOWING PRODUCTION WHILE INCREASING R&D, AND ADJUSTING FINANCING TO ORDERLY PRODUCTION CONSIDERATIONS.

16. WE PROPOSE VARIOUS ADJUSTMENTS IN HELICOPTER, OTHER AIRCRAFT, COMMUNICATION AND ELECTRONICS, AND VARIOUS ARMY, NAVY, AND AIR FORCE EQUIPMENT PROGRAMS ON THESE GROUNDS. WITHIN THE TACTICAL AIR FORCE, PRESIDENT CARTER WILL BE RECOMMENDING A STRETCH-OUT IN F-15 PROCUREMENT BY SLOWING PRODUCTION FROM 108 A YEAR TO 78. THIS WILL PROVIDE A GOING PRODUCTION BASE FOR A LONGER TIME, ALLOWING US TO CONSIDER WHAT TOTAL F-15 BUY IS APPROPRIATE FOR TACTICAL USE AND WHETHER F-15'S ARE NEEDED FOR CONUS AIR DEFENSE. THIS WILL NOT AFFECT THE SCHEDULE FOR DEPLOYMENT OF F-15'S TO EUROPE, SINCE THOSE AIRCRAFT HAVE ALREADY BEEN PROCURED.

17. WE WILL PROPOSE REDUCING ADDITIONAL AWACS PROCUREMENT FROM 6 TO 3 IN FY 78 TO PROVIDE MORE REALISTIC PROGRAMMING, GIVEN THE CURRENT UNCERTAINTIES AS TO THE NUMBER NEEDED FOR THE FUTURE U.S. CONUS AIR DEFENSE FORCE. AS YOU KNOW, 19 AWACS AIRCRAFT HAVE ALREADY BEEN PROGRAMMED FOR FY 77 AND PRIOR YEARS. THIS CONUS AIR DEFENSE ISSUE WILL BE RESOLVED OVER THE COURSE OF THE NEXT YEAR. THE SLOW-DOWN IN ADDITIONAL PROCUREMENT FOR THE USAF WILL HAVE NO IMPACT ON THE NATO AWACS PROGRAM SINCE THE PRODUCTION LINE REMAINS OPEN TO

ACCOMMODATE THE NATO REQUIREMENT WHICH WE CONTINUE TO SUPPORT FULLY.

18. INsofar AS NAVAL FORCES ARE CONCERNED, THE PRESIDENT WILL PROPOSE TO THE CONGRESS SEVERAL REDUCTIONS TO THE FY 78 BUDGET FOR SHIP CONSTRUCTION. THESE INCLUDE DEFERRAL OF ONE NUCLEAR-POWERED SUBMARINE AND TWO FRIGATES SO AS TO OVERCOME CURRENT BACKLOGS IN THE CONSTRUCTION PROGRAM, AND CANCELLATION ON COST-EFFECTIVENESS GROUNDS OF THE NUCLEAR STRIKE CRUISER. THE DEFERRALS AND CANCELLATION WILL ENABLE US TO CONTINUE
SECRET

PAGE 07 STATE 039047

ESSENTIAL MODERNIZATION OF OUR FORCES, WHILE SCHEDULING PROGRAMS TO ENSURE THAT WE RECEIVE THE FULL MEASURE OF INCREASED EFFECTIVENESS FOR THE COSTS OF NEW EQUIPMENT AND TO CORRECT CURRENT DEFICIENCIES IN THE SHIPBUILDING PROGRAM. THE PRESIDENT'S BUDGET AMENDMENTS ALSO INCLUDE A RESTRUCTURING OF THE PATROL HYDROFOIL MISSILE (PHM) PROGRAM, CANCELLING THE CONVERSION OF A SUPPORT SHIP IN THE ABSENCE OF A DEFINITIVE DEPLOYMENT CONCEPT. THE PHM PROGRAM ITSELF WILL BE REVIEWED FURTHER TO FOCUS ON FURTHER DEVELOPMENT OF THE HYDROFOIL CONCEPT AND TACTICS.

19. SEVERAL DECISIONS AFFECTING TACTICAL NUCLEAR SYSTEMS ALSO WILL BE OF SPECIAL INTEREST TO YOU. WE HAVE DECIDED TO EMPHASIZE FURTHER RESEARCH AND DEVELOPMENT OF A GROUND-LAUNCHED CRUISE MISSILE (GLCM) WHILE
A
DEFERRING FOR ONE YEAR INITIATION OF FULL SCALE DEVELOPMENT OF THE ANTI-SHIP VERSION OF THE TOMOHAWK CRUISE MISSILE WHICH WOULD BE CONVENTIONALLY ARMED. OUR TARGET DATE FOR BEGINNING FULL-SCALE DEVELOPMENT OF THE GLCM IS FY 79.

20. SECOND, WE HAVE DECIDED TO CANCEL THE US PROCUREMENT OF THE NON-NUCLEAR LANCE BECAUSE OF THE AVAILABILITY OF EXISTING AND PLANNED US AIR FORCE SYSTEMS TO BETTER PERFORM THESE MISSIONS. THE BULK OF THE SAVINGS WILL BE APPLIED TO SPARES FOR THE NUCLEAR MISSILES. OUR CANCELLATION NEED NOT AFFECT NATO PROCUREMENT OF THE NON-NUCLEAR LANCE SINCE THAT PROGRAM IS FUNDED SEPARATELY.

21. WE WILL, OF COURSE, BE CONTINUING TO TAKE A CAREFUL LOOK AT OUR DEFENSE ESTABLISHMENT FROM BOTH POLICY AND EFFICIENCY PERSPECTIVES. AS A PART OF THAT EFFORT, PRESIDENT CARTER HAS INITIATED A MAJOR REVIEW OF U.S. MILITARY POSTURE AND THE U.S. FOREIGN POLICY AND NATIONAL SECURITY OBJECTIVES WHICH IT SUPPORTS. THIS
SECRET

PAGE 08 STATE 039047

REVIEW SHOULD BE COMPLETED THIS SUMMER PRIOR TO THE FINAL PREPARATION OF THE FY 79 BUDGET AND WILL BE A MAJOR FACTOR IN ITS DEVELOPMENT. WE SHALL CONSULT WITH YOU ON THE CONCLUSIONS OF THIS REVIEW AND ANY MAJOR NEW DEFENSE POSTURE INITIATIVES WHICH EMERGE FROM IT. WE SHALL BE IN TOUCH WITH YOU AND YOUR STAFFS AS WE PROCEED IN THIS PROCESS.

22. BY ALL THESE MEASURES, WE SEEK FURTHER TO IMPROVE THE WARFIGHTING CAPABILITIES AND READINESS OF US FORCES, AND THEREBY ENHANCE THE EFFECTIVENESS OF THE ALLIANCE'S DETERRENT. DESPITE THE ECONOMIC DIFFICULTIES THAT AFFECT EVERY NATO COUNTRY, WE IN THE ALLIANCE CLEARLY HAVE THE MANPOWER, RESOURCES, AND TECHNOLOGICAL CAPABILITY TO STAY THE COURSE WITH OUR POTENTIAL ADVERSARIES FOR AS LONG AS MAY BE NECESSARY. AS VICE PRESIDENT MONDALE SAID IN BRUSSELS, THE UNITED STATES LOOKS TO ITS ALLIES TO JOIN WITH US IN IMPROVING NATO'S DEFENSE FORCES TO THE LIMIT OF INDIVIDUAL ABILITIES IN ORDER TO PROVIDE A DEFENSE FULLY ADEQUATE TO OUR NEEDS.

23. SECRETARY OF DEFENSE BROWN HAS SENT A SIMILAR LETTER ON THESE BUDGET CHANGES TO (UK/FRG) DEFENSE MINISTER (MULLEY /LEBER) AND I HAVE NOTIFIED THE UK AND FRG FOREIGN MINISTERS. END TEXT.
HARTMAN

UNQUOTE VANCE

SECRET

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE039047
Document Source: ADS
Document Unique ID: 00
Drafter: PM/ISP:LHBROWN/DOD/ISA:MGLITMAN:JAN
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D770060-0743
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197702100/baaaevhs.tel
Line Count: 628
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: cc4e1fbf-c288-dd11-92da-001cc4696bcc
Office: ORIGIN PM
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3234111
Secure: OPEN
Status: NATIVE
Subject: REVISIONS TO FY 78 U.S. DEFENSE BUDGET
TAGS: OVIP, (VANCE, CYRUS R)
To: BONN LONDON MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cc4e1fbf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009